



TOWNSHIP OF VICTOR
Clinton County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Victor	County Clinton
Audit Date March 31, 2005	Opinion Date July 26, 2005	Date Accountant Report Submitted to State: September 16, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF VICTOR
Clinton County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

July 26, 2005

To the Township Board
Township of Victor
Clinton County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Victor, Clinton County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Victor's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Victor, Clinton County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF VICTOR
Clinton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Victor Township Board provides interested parties with the following report of the Township's financial statements and a narrative overview and analysis of the financial activities of Victor Township for the fiscal year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

- The assets of Victor Township exceeded its liabilities at the close of the most recent fiscal year by \$814,877.55 (net assets). Of this amount, \$232,738.55 (unrestricted net assets) may be used to meet the Township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$232,738.55, a decrease of \$68,400.80 in comparison with the prior year. This represents unreserved fund balance and is available for spending at the Township's discretion.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Victor Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements present the functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include: (Legislative, general government, building and grounds, cemetery, public safety, community and economic development, public works (roads and drains), health and welfare, recreation and culture, and capital outlay.)

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Victor Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Township maintains a governmental fund and a fiduciary tax fund.

The Township adopts an annual appropriated budget for its general fund. A budgetary statement has been provided for the General Fund to demonstrate compliance with this budget.

TOWNSHIP OF VICTOR
Clinton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's progress in funding its obligation to provide (pension benefits) to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The most significant portion of the Township's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

Governmental activities – Governmental activities decreased the Township's net assets by \$68,400.80 accounting for 100% of the total decline in the net assets of the Township. Use of savings to accomplish key road projects including the paving of a portion of Hollister Road and the reconstruction of a portion of Ballentine Road account for 100% of the decline in net assets.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. An unanticipated capital outlay was required due to the need to replace the heat pump servicing the Township hall.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds – The focus of the Township's governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$232,738.55. The total amount constitutes unreserved fund balance, which is available for spending at the Township's discretion.

General Fund Budgetary Highlights – Differences between the original budget and the final amended budget were \$58,679.44 decrease in appropriations and can be briefly summarized as follows: Deferred planned addition of part-time administrative support and additional contract law enforcement for the Township; lower than expected legal fees, publishing expense, Treasurer expense, postage, drain and road expense; and unused contingency expense.

TOWNSHIP OF VICTOR
Clinton County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The Township's investment in capital assets for its governmental activities as of March 31, 2005, amounts to \$582,139.00 (net of accumulated depreciation).

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

Victor Township receives only constitutional revenue sharing and therefore expects that State-shared revenues will remain relatively flat or slightly increase in the 2005-2006 fiscal year. The Township's millage rate was reduced again by the Headlee Amendment rollback to .9812 mills for general operating purposes. Taxable value increased by \$6,024,647.00 from last year. These factors were considered in preparing the Township's budget for the 2005-2006 fiscal year.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide a general overview of Victor Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor, Treasurer or Clerk of Victor Township, 6843 E. Alward Road, Laingsburg, Michigan 48848, or call 517-651-2094.

TOWNSHIP OF VICTOR
Clinton County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	214 682 75
Taxes receivable	13 785 80
Accounts receivable	<u>6 000 00</u>
Total Current Assets	<u>234 468 55</u>
NON-CURRENT ASSETS:	
Capital Assets	686 700 00
Less: Accumulated Depreciation	<u>(104 561 00)</u>
Total Non-current Assets	<u>582 139 00</u>
TOTAL ASSETS	<u>816 607 55</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 730 00</u>
Total Current Liabilities	<u>1 730 00</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>1 730 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	582 139 00
Unrestricted	<u>232 738 55</u>
Total Net Assets	<u>814 877 55</u>
TOTAL LIABILITIES AND NET ASSETS	<u>816 607 55</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u> <u>Charges for Services</u>	<u>Governmental Activities</u> <u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	40 138 75	-	(40 138 75)
General government	126 349 37	45 027 03	(81 322 34)
Public safety	183 234 15	3 104 00	(180 130 15)
Public works	236 533 51	-	(236 533 51)
Culture and recreation	3 836 54	-	(3 836 54)
Total Governmental Activities	<u>590 092 32</u>	<u>48 131 03</u>	<u>(541 961 29)</u>
General Revenues:			
Property taxes			219 891 97
State revenue sharing			222 402 63
Interest			3 219 63
Miscellaneous			<u>5 870 26</u>
Total General Revenues			<u>451 384 49</u>
Change in net assets			(90 576 80)
Net assets, beginning of year			<u>905 454 35</u>
Net Assets, End of Year			<u>814 877 55</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

	<u>Total (General)</u>
<u>Assets</u>	
Cash in bank	213 213 81
Taxes receivable	13 785 80
Accounts receivable	6 000 00
Due from other funds	<u>1 468 94</u>
Total Assets	<u><u>234 468 55</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>1 730 00</u>
Total liabilities	<u>1 730 00</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>232 738 55</u>
Total fund equity	<u>232 738 55</u>
Total Liabilities and Fund Equity	<u><u>234 468 55</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 232 738 55

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	686 700 00
Accumulated depreciation	<u>(104 561 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 814 877 55

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>Total (General)</u>
Revenues:	
Property taxes	219 891 97
Licenses and permits	9 989 30
State revenue sharing	222 402 63
Charges for services – PTAF	25 603 93
Charges for services – other	12 537 80
Interest	3 219 63
Miscellaneous	<u>5 870 26</u>
Total revenues	<u>499 515 52</u>
Expenditures:	
Legislative:	
Township Board	40 138 75
General government:	
Supervisor	12 048 00
Elections	4 182 52
Assessor	21 689 66
Clerk	18 995 85
Board of Review	864 65
Treasurer	16 903 82
Building and grounds	24 667 94
Cemetery	18 070 93
Public safety:	
Fire protection	163 490 88
Law enforcement	1 000 00
Planning	3 27
Public works:	
Highways and streets	230 013 83
Drains	6 519 68
Culture and recreation:	
Library	2 000 00
Parks and recreation	336 54
Capital outlay	<u>6 990 00</u>
Total expenditures	<u>567 916 32</u>
Excess (deficiency) of revenues over expenditures	(68 400 80)
Fund balance, April 1	<u>301 139 35</u>
Fund Balance, March 31	<u><u>232 738 55</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (68 400 80)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(29 166 00)
Capital Outlay	<u>6 990 00</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (90 576 80)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Victor, Clinton County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Victor. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Township and the Townships of Bingham and Greenbush jointly operate the Clinton Area Fire and Rescue to provide fire protection services for the three entities. For the fiscal year ended March 31, 2005, the Township of Victor provided \$163,490.88 to the Fire Authority. The joint venture is not considered a part of the reporting entity of the Township of Victor. Separate financial statements of the Fire Authority may be obtained directly from them at P.O. Box 114 in St. Johns, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 2.4146 mills, and the taxable value was \$91,074,400.00.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	20-50 years
Equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$582,139.00.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>218,295.23</u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	200 000 00
Uninsured and Uncollateralized	<u>150 342 74</u>
Total Deposits	<u>350 342 74</u>

The Township of Victor did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	127 300 00	-	-	127 300 00
Buildings	226 410 00	-	-	226 410 00
Equipment	<u>326 000 00</u>	<u>6 990 00</u>	-	<u>332 990 00</u>
Total	679 710 00	6 990 00	-	686 700 00
Accumulated Depreciation	<u>(75 395 00)</u>	<u>(29 166 00)</u>	-	<u>(104 561 00)</u>
Net Capital Assets	<u>604 315 00</u>	<u>(22 176 00)</u>	-	<u>582 139 00</u>

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township has a deferred compensation plan covering all employees. The Township contributes a percentage of each employee's wages to the plan. The employees also made contributions to the plan. The net expense for the fiscal year ended March 31, 2005, was \$4,631.30.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Victor does not issue building permits. Building permits are issued by the County of Clinton.

TOWNSHIP OF VICTOR
Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>1 468 94</u>	Current Tax Collection	<u>1 468 94</u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	202 000 00	202 000 00	219 891 97	17 891 97
Licenses and permits	7 600 00	7 600 00	9 989 30	2 389 30
State revenue sharing	200 000 00	200 000 00	222 402 63	22 402 63
Charges for services:				
Property tax administration	23 000 00	23 000 00	25 603 93	2 603 93
Other	6 275 00	6 275 00	12 537 80	6 262 80
Interest	1 510 00	1 510 00	3 219 63	1 709 63
Miscellaneous	9 000 00	9 000 00	5 870 26	(3 129 74)
Total revenues	<u>449 385 00</u>	<u>449 385 00</u>	<u>499 515 52</u>	<u>50 130 52</u>
Expenditures:				
Legislative:				
Township Board	70 056 00	59 428 60	40 138 75	(19 289 85)
General government:				
Supervisor	12 250 00	12 250 00	12 048 00	(202 00)
Elections	4 100 00	4 182 52	4 182 52	-
Assessor	22 400 00	22 995 85	21 689 66	(1 306 19)
Clerk	21 200 00	21 689 66	18 995 85	(2 693 81)
Board of Review	925 00	925 00	864 65	(60 35)
Treasurer	21 505 00	19 255 00	16 903 82	(2 351 18)
Building and grounds	24 000 00	24 667 94	24 667 94	-
Cemetery	15 475 00	18 910 20	18 070 93	(839 27)
Public safety:				
Fire protection	164 724 00	164 724 00	163 490 88	(1 233 12)
Law enforcement	11 000 00	11 000 00	1 000 00	(10 000 00)
Planning	1 000 00	1 000 00	3 27	(996 73)
Public works:				
Highways and streets	237 800 00	236 756 23	230 013 83	(6 742 40)
Drains	15 000 00	15 000 00	6 519 68	(8 480 32)
Culture and recreation:				
Library	2 000 00	2 000 00	2 000 00	-
Parks and recreation	2 000 00	1 400 00	336 54	(1 063 46)
Capital outlay	-	9 250 00	6 990 00	(2 260 00)
Total expenditures	<u>625 435 00</u>	<u>625 435 00</u>	<u>567 916 32</u>	<u>(57 518 68)</u>
Excess (deficiency) of revenues over expenditures	(176 050 00)	(176 050 00)	(68 400 80)	107 649 20
Fund balance, April 1	<u>301 139 35</u>	<u>301 139 35</u>	<u>301 139 35</u>	-
Fund Balance, March 31	<u>125 089 35</u>	<u>125 089 35</u>	<u>232 738 55</u>	<u>107 649 20</u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Township Board:	
Salaries	4 495 00
Publishing	2 031 50
Audit	2 000 00
Legal	388 00
Miscellaneous	5 619 10
Dues	1 788 58
Payroll taxes	1 487 40
Supplies	9 398 87
Deferred compensation	4 631 30
Insurance	8 299 00
	<u>40 138 75</u>
Supervisor:	
Salary	<u>12 048 00</u>
Elections:	
Wages	2 628 00
Miscellaneous	<u>1 554 52</u>
	<u>4 182 52</u>
Assessor:	
Salary	16 200 00
Miscellaneous	<u>5 489 66</u>
	<u>21 689 66</u>
Clerk:	
Salary	14 100 00
Deputy	1 828 00
Miscellaneous	<u>3 067 85</u>
	<u>18 995 85</u>
Board of Review:	
Salaries	825 00
Miscellaneous	<u>39 65</u>
	<u>864 65</u>
Treasurer:	
Salary	13 680 00
Deputy	944 00
Miscellaneous	<u>2 279 82</u>
	<u>16 903 82</u>
Building and grounds:	
Utilities	8 134 02
Contracted services	<u>16 533 92</u>
	<u>24 667 94</u>
Cemetery:	
Contracted services	14 230 00
Miscellaneous	<u>3 840 93</u>
	<u>18 070 93</u>
Fire protection:	
Contracted services	<u>163 490 88</u>
Law enforcement	<u>1 000 00</u>
Planning:	
Miscellaneous	<u>3 27</u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2005

Highways and streets:	
Repairs and maintenance	<u>230 013 83</u>
Drains	<u>6 519 68</u>
Library	<u>2 000 00</u>
Parks and recreation	<u>336 54</u>
Capital outlay	<u>6 990 00</u>
Total Expenditures	<u><u>567 916 32</u></u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>5 047 23</u>	<u>2 485 976 86</u>	<u>2 485 942 67</u>	<u>5 081 42</u>
<u>Liabilities</u>				
Due to other funds	1 434 75	237 488 80	237 454 61	1 468 94
Due to others	<u>3 612 48</u>	<u>2 248 488 06</u>	<u>2 248 488 06</u>	<u>3 612 48</u>
Total Liabilities	<u>5 047 23</u>	<u>2 485 976 86</u>	<u>2 485 942 67</u>	<u>5 081 42</u>

TOWNSHIP OF VICTOR
Clinton County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash on hand and in bank – beginning of year	<u>5 047 23</u>
Cash receipts:	
Current property tax	2 461 166 12
Property tax administration fees	24 244 06
Interest	<u>566 68</u>
Total cash receipts	<u>2 485 976 86</u>
Total beginning balance and cash receipts	<u>2 491 024 09</u>
Cash disbursements:	
Township General Fund	237 454 61
Clinton County	1 300 991 45
Laingsburg Community School	637 491 40
Ovid-Elsie Area Community School	65 135 22
St. Johns Public School	103 138 20
Bath Community School	35 315 68
Clinton County Regional Education Service District	82 711 04
Lansing Community College	13 175 66
Refunds	<u>10 529 41</u>
Total cash disbursements	<u>2 485 942 67</u>
Cash on Hand and in Bank – End of Year	<u><u>5 081 42</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 26, 2005

To the Township Board
Township of Victor
Clinton County, Michigan

We have audited the financial statements of the Township of Victor for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Victor in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Victor
Clinton County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Victor began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Victor
Clinton County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants